

News Release

LETCHER COMPANY FINED FOR INSURANCE FRAUD

Supplier of temporary mine workers underreported payroll for workers' comp

WHITESBURG, Ky. (Aug. 24, 2005) – A company that supplies temporary workers for underground coal mines pleaded guilty today in Letcher Circuit Court to a felony count of insurance fraud.

Boone Mountain Services Inc., of Jackhorn, was charged with making false and misleading statements to Kentucky Employers Mutual Insurance Co. (KEMI), a workers' compensation insurance carrier, by underreporting its full payroll. According to court documents, the company knowingly claimed some workers were employed by Oak Mountain Resources Inc. of Virginia.

Premiums for workers' compensation insurance are based in part on total payroll.

As part of today's court action, the company will pay KEMI \$346,330.12, the amount of the insurer's actual monetary loss. In addition, the agreement includes a \$100,000 fine with \$25,000 to be paid immediately to the Kentucky Office of Insurance (KOI) Fraud Investigation Division. The remainder is probated for two years on condition of "good and lawful" behavior.

Boone Mountain Services also is to pay \$2,500 to the Letcher County Commonwealth's Attorney Victim Advocate Fund and all court costs. Boone Mountain Services must submit an acceptable anti-fraud plan to KOI within 90 days.

The investigation was a joint effort of the KOI fraud division, the Letcher County commonwealth's attorney and KEMI. KOI is an agency of the Environmental and Public Protection Cabinet.